

EXPENDITURE RESTRAINT PAYMENT

The expenditure restraint payment (ERP) provides unrestricted aid to qualifying municipalities that limit growth in spending. The payment is in addition to aid paid under the county and municipal aid program. Counties do not qualify for payments under this program.

Originally called the tax rate disparity program, the ERP program was enacted in 1990 in response to criticism that the state shared revenue program for municipalities encouraged municipalities to increase spending (at the time, aid payments were partially dependent on spending). The ERP payment was meant to break this connection by targeting aid to high-tax rate communities that restrain spending growth.

A municipality originally qualified for the payment if its municipal-purpose tax rate was greater than the state average municipal tax rate, its equalized value per capita was less than 120% of the state average, and its operating budget had grown by no more than inflation plus 3%.

In 1994, the equalized value per capita limitation was removed, the qualifying tax rate was set at five mills, and the operating budget restraint was replaced with a general fund restraint.

Municipalities now qualify for a payment if they limit their general fund budget increase to more than inflation plus a growth factor and their municipal-purpose tax rate is in excess of five mills.

Since 2003, funding for the program has been set at \$58,145,700.

Eligibility

A municipality qualifies for an ERP payment if it meets the following two conditions:

1. *Municipal budget:* Its municipal budget for the year before payment has not increased over the prior year's budget by more than an "inflation factor" plus a "valuation factor".

"Municipal budget" equals general fund expenditures excluding principal and interest on long-term debt, recycling fees paid for solid waste disposal, and revenues shared with other local governments under local revenue sharing agreements. If a service is transferred to or from another governmental unit, an adjustment is made to the prior year's expenditures to reflect the transfer.

The "inflation factor" equals the average annual percentage change in the U.S. consumer price index for all urban consumers as determined by the U. S. Department of Labor for the 12-month period from October 1 to September 30 prior to the year for which the municipal budget is determined.

The "valuation factor" equals 60% of the percentage change in the municipality's equalized value due to net new construction (new improvements minus improvements removed), but no more than 2% and no less than 0%.

2. *Municipal-purpose property tax rate:* The property tax rate must be at least five mills. The tax rate is calculated by dividing the total levy for municipal purposes excluding tax incremental finance (TIF) levies by the total equalized value excluding TIF incremental value.

Payments

A qualifying municipality's payment is calculated as follows:

- a. Subtract 5 mills from the municipal-purpose property tax rate.
- b. Multiply the amount from (a) by the municipality's equalized value including TIF incremental value.
- c. Divide the amount in (b) by the state total for all the amounts calculated in (b).
- d. Multiply the amount in (c) by the funds appropriated for the ERP payment.

Payments in 2005

A municipality qualified for a payment in 2005 if its municipal budget for 2004 increased over its municipal budget for 2003 by less than 2.3% (the inflation factor for the 12-month period ending September 30, 2003) plus its valuation factor (using 2002 and 2003 equalized values) and its municipal-purpose property tax rate for 2003 (payable 2004) exceeded 5 mills.

The revised estimate shows that payments in 2005 were distributed to 337 municipalities as follows: 33 towns (\$461,094), 152 villages (\$5,198,193) and 152 cities (\$52,486,411). Final adjustments will be made in November 2006. Of the 337 municipalities eligible for 2005 payments, 254 were eligible and 83 were not eligible for payments in 2004. In addition, 52 municipalities eligible for payments in 2004 did not qualify for payments in 2005.

Payments in 2006

A municipality qualifies for a payment in 2006 if its municipal budget for 2005 increased over its municipal budget for 2004 by less than 2.3% (the inflation factor for the 12-month period ending September 30, 2004) plus its valuation factor (using 2003 and 2004 equalized values) and its municipal-purpose property tax rate for 2004 (payable 2005) exceeded 5 mills.

The original estimate shows that payments in July 2006 will be distributed to 310 municipalities as follows: 37 towns (\$451,556), 130 villages (\$5,128,361) and 143 cities (\$52,565,781). Adjustments due to re-estimates will be made in November 2006. Final adjustments will be made in November 2007. Of the 310 municipalities eligible for 2006 payments, 259 were eligible and 51 were not eligible for payments in 2005. In addition, 78 municipalities eligible for payments in 2005 did not qualify for payments in 2006.

Table 1 shows the 20 municipalities with the largest expenditure restraint payments in 2005 and 2006. Table 2 shows expenditure restraint payments by town, village, and city since 1994.

TABLE 1
MUNICIPALITIES WITH LARGEST EXPENDITURE RESTRAINT
PAYMENTS: 2005 AND 2006

Municipality	2005 Payment	Municipality	2006 Payment
Milwaukee	\$ 9,472,698	Milwaukee	\$ 9,120,656
Madison	5,237,568	Madison	5,278,772
Racine	2,560,570	Racine	2,634,763
Kenosha	2,432,580	Kenosha	2,385,897
West Allis	1,797,560	Waukesha	1,940,586
Waukesha	1,790,832	West Allis	1,876,354
Green Bay	1,651,140	La Crosse	1,764,104
La Crosse	1,585,889	Green Bay	1,728,723
Appleton	1,309,800	Appleton	1,367,530
Wauwatosa	1,089,248	Wauwatosa	1,115,434
Sheboygan	1,005,341	Sheboygan	1,103,217
Oshkosh	981,928	Oshkosh	1,067,259
Eau Claire	861,079	Eau Claire	901,949
Wausau	819,645	Wausau	887,992
Janesville	789,054	Janesville	816,630
West Bend	731,105	West Bend	743,655
Sun Prairie	675,694	Fond du Lac	726,193
Oak Creek	670,866	Sun Prairie	618,423
Fond du Lac	651,918	Marshfield	606,268
Greenfield	648,388	Greenfield	561,625
Total of Above	36,762,993	Total of Above	37,246,030
Total – all	58,145,698	Total – all	58,145,698
% to Top 20	63.23%	% to Top 20	64.06%

TABLE 2
EXPENDITURE RESTRAINT PAYMENT, 1994 – 2006

Year	Towns		Villages		Cities		State Total	
	Recipients	Payment	Recipients	Payment	Recipients	Payment	Recipients	Payment
1994	65	\$310,721	82	\$1,976,087	93	\$39,713,191	240	41,999,999
1995	37	213,452	95	3,529,755	117	44,256,792	249	47,999,999
1996	40	307,119	95	3,362,561	119	44,330,319	254	47,999,999
1997	58	531,480	138	3,939,556	116	43,528,963	312	47,999,998
1998	49	537,612	112	3,788,113	128	43,674,274	289	47,999,998
1999	47	570,785	110	3,916,732	135	43,512,482	292	47,999,998
2000	42	609,629	104	4,682,275	135	51,708,094	281	56,999,998
2001	30	844,429	105	5,019,086	135	51,136,483	270	56,999,998
2002	39	768,297	128	5,147,973	136	51,653,728	303	57,569,998
2003	30	724,827	122	4,985,806	144	52,435,065	296	58,145,698
2004	27	420,325	134	5,482,828	145	52,242,546	306	58,145,698
2005	33	461,094	152	5,198,193	152	52,486,411	337	58,145,698
2006	37	451,556	130	5,128,361	143	52,565,781	310	58,145,698